



North Central Idaho News

CLEARWATER, IDAHO, LATAH, LEWIS & NEZ PERCE COUNTIES

ECONOMIC TRENDS

October's seasonally adjusted unemployment rate plunged seven-tenths of a point from September to 4.1 percent. Good weather allowed construction and other outdoor work to continue. October typically sees construction, logging and agriculture slow because of rain and cool temperatures. Year-over-year unemployment was also down seven-tenths of a percent from last October's rate of 4.8 percent.

SPECIAL TOPIC: Canadian Imports and Falling Housing Starts

Eight sawmills in north central Idaho and eastern Washington are operating under some of the most challenging circumstances of the decade. Housing starts are falling, and some industry experts fear a recent compromise with the Canadian government might make it even tougher for U.S. mills to compete.

"We continue to monitor the situation closely," said Potlatch's Matt Van Vleet, but the company has not issued any "curtailment announcements for Idaho sawmills."

Calvin Hogg, chief financial officer at Three Rivers mill near Kooskia, conceded that "prices are not good at all, and we'll have to watch that."

Brett Bennett, vice president of Bennett Lumber Products, said his company is "doing just fine" given the circumstances, but "nobody is very happy where things are. We don't intend to take any downtime as far as we can see in the future unless things start to get worse."

At the root are slowing housing starts, which on an annualized basis dropped from a record 2.2 million in February 2005 to 1.48 million this October. Compounding that is the resolu-

North Central Idaho Table 1: Lewiston MSA Labor Force & Employment
Nez Perce County, Idaho and Asotin County, Washington

| | Oct 2006* | Sep 2006 | Oct 2005 | % Change From | |
|--|--------------|-------------|-------------|---------------|--------------|
| | | | | Last Month | Last Year |
| INDIVIDUALS BY PLACE OF RESIDENCE | | | | | |
| <i>Seasonally Adjusted</i> | | | | | |
| Civilian Labor Force | 28,280 | 28,800 | 29,160 | -1.8 | -3.0 |
| Unemployment | 1,150 | 1,390 | 1,390 | -17.3 | -17.3 |
| % of Labor Force Unemployed | 4.1 | 4.8 | 4.8 | | |
| Total Employment | 27,130 | 27,410 | 27,770 | -1.0 | -2.3 |
| <i>Unadjusted</i> | | | | | |
| Civilian Labor Force | 28,020 | 28,170 | 28,870 | -0.5 | -2.9 |
| Unemployment | 960 | 1,040 | 1,160 | -7.7 | -17.2 |
| % of Labor Force Unemployed | 3.4 | 3.7 | 4.0 | | |
| Total Employment | 27,060 | 27,130 | 27,710 | -0.3 | -2.3 |
| JOBS BY PLACE OF WORK | | | | | |
| Nonfarm Payroll Jobs** - NAICS | | | | | |
| <i>Goods-Producing Industries</i> | 4,470 | 4,490 | 4,620 | -0.4 | -3.2 |
| Natural Resources & Mining | 270 | 280 | 230 | -3.6 | 17.4 |
| Construction | 1,250 | 1,250 | 1,400 | 0.0 | -10.7 |
| Manufacturing | 2,950 | 2,960 | 2,990 | -0.3 | -1.3 |
| Wood Product Manufacturing | 530 | 540 | 550 | -1.9 | -3.6 |
| Food Manufacturing | 30 | 30 | 30 | 0.0 | 0.0 |
| Paper Manufacturing | 1,090 | 1,100 | 1,110 | -0.9 | -1.8 |
| Other Manufacturing | 1,300 | 1,290 | 1,300 | 0.8 | 0.0 |
| <i>Service-Providing Industries</i> | 22,540 | 22,450 | 22,640 | 0.4 | -0.4 |
| Trade, Transportation & Utilities | 5,430 | 5,450 | 5,440 | -0.4 | -0.2 |
| Wholesale Trade | 650 | 660 | 680 | -1.5 | -4.4 |
| Retail Trade | 3,450 | 3,460 | 3,480 | -0.3 | -0.9 |
| Utilities | 80 | 90 | 90 | -11.1 | -11.1 |
| Transportation & Warehousing | 1,250 | 1,240 | 1,190 | 0.8 | 5.0 |
| Information | 450 | 450 | 410 | 0.0 | 9.8 |
| Financial Activities | 1,830 | 1,840 | 1,850 | -0.5 | -1.1 |
| Professional & Business Services | 1,590 | 1,580 | 1,730 | 0.6 | -8.1 |
| Education & Health Services | 4,490 | 4,460 | 4,450 | 0.7 | 0.9 |
| Leisure & Hospitality | 2,370 | 2,430 | 2,510 | -2.5 | -5.6 |
| Other Services | 1,070 | 1,090 | 1,120 | -1.8 | -4.5 |
| Government Education | 2,510 | 2,370 | 2,300 | 5.9 | 9.1 |
| Government Administration | 2,050 | 2,030 | 2,080 | 1.0 | -1.4 |
| Government Tribes | 750 | 750 | 750 | 0.0 | 0.0 |

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

tion of a decades-old dispute about softwood lumber between the United States and Canada. In the past, U.S. producers claimed Canada subsidized its lumber industry so wood could be exported at cheaper prices. In response, the United States collected duties on Canadian wood products to even the playing field. As part of a new agreement, Canada will pay the United States \$1 billion. About half will go to American mills. Most of the rest will go to organizations

such as Habitat for Humanity and the American Forest Foundation. But the real kicker is that the United States is giving Canada the \$5 billion it collected in duties on Canadian lumber. With that \$5 billion cash infusion, Canada's mills will have more money to invest in technology, which could give them an advantage again in the very competitive wood market. Mill owners are worried that the agreement with Canada makes the competition even stiffer.

The China Connection

A trade magazine ad for a new foundry in China led Ed Endebrock into new relationships that are helping his Hydraulic Warehouse in Lewiston thrive. Endebrock's company manufactures and repairs hydraulic pumps and motors for dump trucks, tunnel borers and even Ferris wheels. It buys components from other manufacturers. Endebrock contacted the Chinese foundry and now it is one of his chief suppliers. He plans to open a location in Anji, China, within the year similar to the one he has in Lewiston.

China's influence on the economy of north central Idaho and southeastern Washington is growing. Some manufacturers, including Hydraulic Warehouse and Schweitzer Engineering Laboratories in Pullman, are finding it to be a new frontier filled with opportunities. China is one of Schweitzer's fastest-growing markets, says Erik Newman, director of sales and customer service for the company. The company, which manufactures relays for electrical transmission, placed its first technical service center in Shanghai in 1998 and since has added three new centers. "There are many opportunities for Schweitzer to help China improve the performance and reliability of its power systems," Newman says.

Potlatch's experience has been the opposite. China has built its own paperboard plants with quality high enough to squeeze out American competitors, says Matt Van Vleet, Potlatch's spokesman in Lewiston. The success Endebrock is having has taken time. He has spent hours socializing with his business partners in China, their wives and children. "It becomes darn near a family relationship with the people you do business with," Endebrock says. "There has to be a large amount of trust." China, including Hong Kong, is the largest foreign consumer of Idaho products. Most of the state's exports to China are high-tech products like semiconductors. But other markets are emerging. The northern portion of China, for example, eats more wheat than rice, and the country does not produce all of the wheat it consumes. There also is a housing boom in China that is fueling a need for wood products.

AREA DEVELOPMENTS

Idaho and Lewis Counties

- The Nez Perce National Forest will be moving the supervisor's office in Grangeville across town to a new facility adjacent to the Idaho County Airport. Harold Mildenberger of Hamilton, Mont., was awarded a 15-year fixed lease with a five-year option to construct the new U.S. Forest Service facility. Anticipated occupancy is October 2007. The building will be located south of the Forest Service's Grangeville Air Center and will include office, warehouse and warehouse yard space. In addition to the supervisor's office, the facility will also house employees of the Clearwater Ranger District, the Interagency Dispatch Center, the Bureau of Land Management and NOAA Fisheries.
- Patrons of the 58-year-old Joint School District 241 covering Grangeville, White Bird, Riggins, Kooskia and Elk City have voted to divide the school district. Overall, 69 percent favored deconsolidation. During the next year, the district will be split into Grangeville's Joint School District 244 and the Riggins-area School District 243.

Latah County

- University of Idaho scientist Jack Brown has been breeding plants for nearly 15 years. Now a foreign, alternative-energy investment company has found him and will pay the professor \$2 million to research oilseed crops for designer fuel oils such as biodiesel. Brown said the people who are making ethanol and biodiesel have traditionally used whatever corn or soy surplus they had, but the crops that are best for food are not always best for biodiesel. The investment company, Eco-Energy Ltd., wants to take Brown's research and add another element — adaptability. Eco-Energy will use the worldwide land holdings of its parent company, Interests Investments, to produce biofuels. Eco-Energy Chief Executive Ian Rosenblatt said he spent the last two years traveling the world, looking for ideas. He discovered Brown's work through a simple Web search that turned up the university's home page and a story on the BioBug, the university's biodiesel Volkswagen. According to Brown, he will direct his research toward increasing the adaptability of his crops to be viable in different climatic and environmental conditions. The funding will support approximately 11 people in Brown's program, including five staff members, three to four graduate students and three to four undergraduate students. Once a successful plant is developed, Eco-Energy will have certain rights to

commercialize the plants in other countries. But in the United States, the university will retain the rights to the new seed varieties, and it will continue to make them available to farmers. Brown has developed environmentally friendly fuel oils that can be used in pristine places like national parks and on farms for more sustainable agriculture. Using 100 percent biodiesel instead of mixing it with fossil fuels retains its biodegradability, which is important in these places, he said.

- The city of Moscow received \$450,000 from the Rural Idaho Initiative in November to install fiber optic lines at the Alturas Technology Park. The fiber optic connectivity will create 16 new jobs and help retain 75 jobs in the city. The city has been working on the fiber optics project over the last three years in cooperation with the Idaho Transportation Department, the Moscow School District, Gritman Medical Center and University of Idaho's National Institute for Advanced Transportation Technology. All will benefit from the installation. In addition, the expanded fiber optics network proposed in the grant would include the Eastside Marketplace.

Nez Perce and Asotin, Wash., Counties

- Syringa Bank plans to open its first location outside the Boise metropolitan area in Lewiston before the end of the year. Lewiston rose to the top of the list for expansion partly because Sterling Savings in Spokane acquired FirstBank in Clarkston, said Jerry Aldape, president and chief executive officer of Syringa Bank. Syringa Bank will open a temporary location at Mall 21 in the former Gourmet Way with plans to hire the manager and all other employees from the Lewiston area. Within a year, Syringa Bank hopes to have two permanent locations in Lewiston that will employ 15. The bank's "bread and butter" are commercial loans between \$50,000 and \$4 million. The bank currently employs 66 people statewide.

Doug Tweedy, Regional Economist
1158 Idaho St., Lewiston, ID 83501
(208) 799-5000 ext. 3511
E-mail: doug.tweedy@cl.idaho.gov

ON THE WEB



Idaho's Fringe Benefit Survey

The Idaho Fringe Benefits Survey released late in 2005, assessed the types and frequency of benefits Idaho employers offered their workers. The information gathered from nearly 2,200 randomly selected employers throughout Idaho was analyzed to identify differences in benefit packages based on employer size, public or private ownership, industry, geographic region and rural-urban location. This information can be important to employees and employers alike since benefits can account for a significant portion of overall employee compensation.

The entire survey results are available online at <http://Imi.idaho.gov>. Click on "Publications" on the left menu bar. Highlights are pictured in the box on the right.

Survey Highlights . . .

✱ **The larger the business, the more likely benefits are offered to its employees.**



✱ **Medical insurance is offered at higher rates to employees in the public sector compared to businesses in the private sector.**

✱ **The percentage of employers who offer medical insurance is the highest in management of companies at 91 percent. These rates vary down to 48 percent for the accommodation and food services industry.**

✱ **In general, urban businesses offer insurance packages at slightly higher rates than those in rural counties.**